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September 14, 2021

VIA ELECTRONIC FILING

Jocelyn G. Boyd, Esquire
Chief Clerk & Administrator
Public Service Commission of South Carolina
101 Executive Center Drive, Suite 100
Columbia, South Carolina 29210

RE: Cherokee County Cogeneration Partners, LLC, Complainant/Petitioner v. Duke
Energy Progress, LLC and Duke Energy Carolinas, LLC, Defendant/Respondent
Docket No. 2020-263-E

Dear Ms. Boyd:

On behalf of the South Carolina Office of Regulatory Staff ("ORS"), I am writing in response to the Cherokee County Cogeneration Partners, LLC ("Cherokee") Notice Regarding Legally Enforceable Obligation Election, the Petitions for Rehearing filed by Cherokee and by Duke Energy Carolinas, LLC ("DEC") and Duke Energy Progress, LLC ("DEP") (collectively, the "Companies"), and the Companies' Response to Cherokee's Petition for Reconsideration, in the above-referenced matter.

Cherokee asserts that the testimony and evidence support a finding that DEC's avoided costs, including energy and capacity components, calculated as of September 17, 2018, result in a rate of \$90/kW-year exclusive of start-up costs. Cherokee Pet. for Recons. at p.5. In contrast, the Companies assert that the rate proposed by Cherokee "is well in excess of DEC's actual avoided costs as of September 2018 and would result in customer overpayment." Companies' Resp. to Cherokee Pet. for Recons. at p.2. The Companies further state that the avoided cost rate set forth in Hearing Exhibit No. 14 reflects an avoided cost rate of \$50.06/kW-year, which is approximately 44% lower than Cherokee's proposed rate (exclusive of start-up costs).

As ORS Witness Dawn M. Hipp testified at the hearing in this matter, customers of Duke Energy will pay directly for purchased power costs. Hipp Direct Test. at 5. ORS therefore asserts that the payments made to Cherokee for energy and capacity should be at or below the actual avoided costs calculated based on the methodology approved by the Commission. *Id.* at 6.

Following ORS' review of Commission Order No. 2021-604 and the Petitions for Reconsideration filed by Cherokee and the Companies, ORS concludes that the avoided cost rate proposed by Cherokee is not consistent with the methodology approved by the Commission in Order No. 2019-881(A). Accordingly, ORS contends that Cherokee's proposed rate would result in Duke customers paying significantly more for power purchased from Cherokee than it would otherwise cost Duke to generate power itself or purchase power from another source in violation of PURPA requirements and, in turn, S.C. Code Ann. § 58-27-865 relating to recovery of purchased power costs.

If you have any questions, please do not hesitate to contact me.

Sincerely,



Benjamin P. Mustian

cc: All Parties of Record (*via e-mail*)
David Butler, Esquire (*via e-mail*)

BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
DOCKET NO. 2020-263-E


IN RE: Cherokee County Cogeneration Partners,) **CERTIFICATE**
LLC, Complainant/Petitioner v. Duke Energy) **OF SERVICE**
Progress, LLC and Duke Energy Carolinas,)
LLC, Defendant/Respondent)

This is to certify that I, Vicki L. Watts, have this date served one (1) copy of the Office of Regulatory Staff's letter in the above-referenced matter to the person(s) named below by causing said copy to be electronically mailed, addressed as shown below:

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